

Report of the Workforce Subcommittee Final Recommendations to the Commission

The Workforce Subcommittee submits the following recommendations to the Commission:

1. ***Developing an Appropriately-Sized Workforce.*** *As the Postal Service works to meet the challenges of the 21st century, it must develop a world-class workforce appropriate to fulfilling its universal service obligation. Fortunately, the Postal Service will soon be presented with a unique attrition opportunity with some 47% of current career employees eligible for retirement by 2010. The Subcommittee urges the Postal Service to take full advantage of this attrition opportunity and to exercise maximum discipline in its hiring practices in order to right-size and realign its workforce with minimal displacement.*
2. ***Collective Bargaining: Process Improvements.*** *The Subcommittee affirms the collective bargaining process and recommends that it be retained. However, the Subcommittee believes that the collective bargaining process can be improved to create additional incentives for the parties to reach negotiated settlements, and, when the parties fail to reach a negotiated settlement, to ensure that arbitration awards are made within a reasonable period of time. In particular, the Subcommittee recommends the following:*
 - *Basic process. A negotiation process, beginning 90 days prior to the expiration of an existing agreement, followed by a 30-day mandatory mediation process and, if mediation fails, an immediate 60-day interest arbitration process.*
 - *Mandatory mediation and “Med-Arb.” The 30-day mandatory mediation process would be conducted by a mediator who would become a member of the arbitration panel should mediation fail. The purpose of the mediation process would be to either reach a negotiated settlement or to narrow the range of issues to be submitted to interest arbitration.*
 - *Interest arbitration. The 60-day interest arbitration process would be conducted by a three-person arbitration panel comprised of three neutral arbitrators, one having served as the mediator. The interest arbitration process would incorporate the Last Best Final Offer (“LBFO”) mechanism, and a 10-day period during which the parties would have a final opportunity to reach a negotiated settlement prior to the arbitration panel’s final award.*

3. **Collective Bargaining: New Subjects.** *The Subcommittee believes that the Postal Service's pension and post-retirement health care plans should be subject to collective bargaining – meaning that the Postal Service and its unions should have the flexibility to develop new plans that are separate and apart from existing Federal pension and retiree health care plans. However, the Subcommittee is also concerned about the uncertain impact such a change would have on the Federal system as a whole and on other Federal employees in particular. As a consequence, the Subcommittee recommends that the Postal Service work with the Department of the Treasury, the Office of Personnel Management, and any other persons or entities deemed necessary to determine the impact separate Postal Service pension and retiree health care programs would have on the existing Federal systems. As a first step, the Subcommittee recommends that:*
- *The Postal Service be authorized to negotiate Federal Employee Retirement System ("FERS") eligibility requirements and employee contributions;*
 - *The Postal Service be authorized to negotiate the eligibility and retiree contribution requirements for the post-retirement health care component of the Federal Employee Health Benefit Program ("FEHBP"), specifically for future Postal Service retirees; and*
 - *The current statutory requirement that "[n]o variation, addition, or substitution with respect to fringe benefits shall result in a program of fringe benefits which on the whole is less favorable to the officers and employees than fringe benefits in effect on [July 1, 1971]" be repealed.*
4. **Pay Comparability.** *The Subcommittee recommends that the 1970 Act be amended to clarify the meaning of the term comparability, and that the new Postal Regulatory Board be authorized to determine comparable total compensation for all Postal Service employees. In determining comparable total compensation, the Subcommittee recommends that the Postal Regulatory Board be authorized to determine the appropriate sector(s) of the private sector workforce to be used as the basis of comparison. The comparability determination of the Postal Regulatory Board should be enforced as a cap on the total compensation of new employees. In addition, if the Postal Regulatory Board determines that a total compensation premium exists for current employees, the Subcommittee recommends that it be authorized to determine the appropriate period of time during which the premium must be eliminated, and to review periodically its initial determination and the Postal Service's progress in eliminating the premium.*

5. ***Pay-for-Performance.*** *The Subcommittee believes strongly that performance-based compensation programs are effective tools that, when designed correctly, can be used to align the goals of management and labor and result in improved efficiency and service quality. The Subcommittee, therefore, recommends that the Postal Service undertake a careful study of performance-based compensation programs for both management and represented employees, and that it work with the unions and management associations to design and implement a performance-based compensation program that is meaningful to Postal Service employees and assists the Postal Service in meeting its productivity and service quality goals.*
6. ***Grievances.*** *The Subcommittee believes that the current dispute resolution process must be revised if the Postal Service is to operate in accordance with the best practices of private sector companies with highly unionized workforces. As a first step, the Subcommittee recommends that the Postal Service work diligently with its unions to implement best practice grievance procedures, including those recently implemented by the Postal Service and the National Association of Letter Carriers.*
7. ***Workers' Compensation Claims.*** *The Subcommittee recommends that the Postal Service be provided relief from certain requirements of the Federal Employees' Compensation Act (FECA). Specifically, the Subcommittee recommends the following:*
 - *The Postal Service should not be required to pay benefits until after the expiration of a three-day waiting period;*
 - *The Postal Service should be allowed to limit benefits to 2/3 of the maximum weekly rate; and*
 - *The Postal Service should be allowed to transition individuals receiving workers' compensation to the Postal Service's retirement plan at such time as the employee would have become eligible for retirement notwithstanding the injury giving rise to the workers compensation benefits.*
8. ***Executive Compensation.*** *The Subcommittee recommends that the current statutory salary cap be repealed. The Subcommittee further recommends that the Board of Directors be authorized to establish rates of pay for officers and employees at levels competitive with the private sector, and that performance be considered by the new Board of Directors as a key component of the pay for senior executives.*

9. **Management Structure.** *The Subcommittee recommends that the Postal Service restructure its management to eliminate redundant positions and geographical divisions and standardize and clarify job functions. The Subcommittee also recommends that the new Board of Directors conduct a review of the entire management structure, size and cost to determine whether they are necessary and consistent with the best practices of the private sector and to require managers to justify their functions and the size of their staffs.*
10. **Accounting for Retiree Health Care Obligations.** *The Subcommittee recommends that the new Board of Directors review the current Postal Service policy relating to the accounting treatment of retiree health care benefits, and work with the Postal Service's independent auditor to determine the most appropriate treatment of such costs in accordance with applicable accounting standards and in consideration of the Postal Service's need for complete transparency in the reporting of future liabilities. The Subcommittee also recommends that the Postal Service Board of Directors consider funding a reserve account for unfunded retiree health care obligations to the extent that the Postal Service's financial condition allows.*
11. **Funding Military Service.** *The Subcommittee recommends that responsibility for funding CSRS pension benefits relating to the military service of Postal Service retirees be returned to the Department of the Treasury.*